
SEPTEMBER

TACOMA WATER

2020

**INTERIM
FINANCIAL
REPORT**



Public Utility Board

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Vice-Chair

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Director of Utilities

SCOTT DEWHIRST

Water Superintendent

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

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City of Tacoma, Washington
Department of Public Utilities, Water Division
Doing Business as

Tacoma Water

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Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.

Reclassification: Changes have been made to prior period account classifications as needed to conform to the current period presentation format.

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Management Discussion and Analysis

Overview of the Financial Statements

Summary

As of September 2020, Tacoma Water is reporting year-to-date operating income of \$17.8 million compared to \$16.9 million in 2019. Operating revenues increased \$2.4 million (3.2%) and operating expenses increased by \$1.5 million (2.5%). The year-to-date change in net position for 2020 was \$9.7 million; for 2019 it was \$11.5 million.

Revenues

Water sales revenues increased by \$2.8 million (4.1%) as of the third quarter of 2020 compared to the same period in 2019. The following table summarizes the impacts of rate and volume changes on water sales revenue by customer class as of September 2020.

Customer Class	Changes Related to:		YTD Increase (Decrease)
	Rate	Volume	
Residential and Domestic	\$ 2,077,627	\$ 1,554,462	\$ 3,632,089
Commercial and Industrial	1,383,861	(2,067,255)	(683,394)
Special Rate	115,578	29,220	144,798
Other	-	(338,061)	(338,061)
Total	\$ 3,577,066	\$ (821,634)	\$ 2,755,432

Consumption as of September 2020 was 13,547 million gallons compared to 13,764 million gallons for the same period in 2019. Regional Water Supply System (RWSS) partners (including Tacoma's share) received 4,514.90 million gallons. The following table summarizes water consumption by customer class year-to-date.

Customer Class	Millions of Gallons		YTD Increase (Decrease)	%
	2020	2019		
Residential and Domestic	6,475.37	6,254.04	221.33	4%
Commercial and Industrial	2,202.37	2,556.46	(354.09)	(14%)
Special Rate	4,322.90	4,299.96	22.94	1%
Other	546.67	653.10	(106.43)	(16%)
Total	13,547.31	13,763.56	(216.25)	(2%)

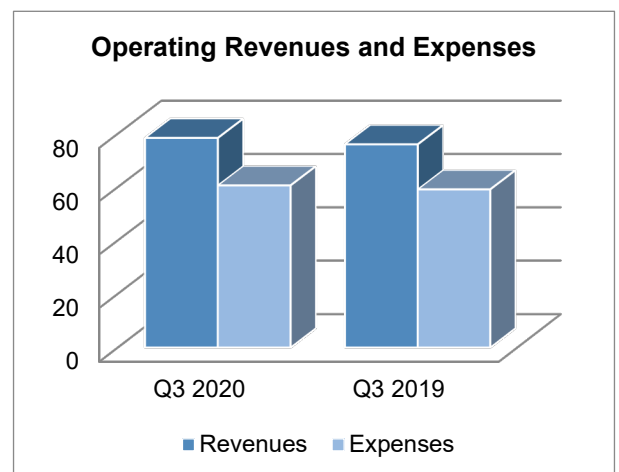
Expenses

Operating expenses were \$60.6 million for the first nine months of 2020, an increase of \$1.5 million (2.5%) compared to 2019.

Non Operating Revenues

Interest income decreased \$3.3 million primarily due to \$2.5 million reversal of the 2019 GASB 31 Gain/Loss entry and \$726,000 decrease in investment income.

Miscellaneous revenue decreased \$185,000 due to the decrease in Family Need Contribution.



Request for Information

Water financial statements are designed to provide a general overview of the Division's finances, as well as to demonstrate the Division's accountability to its customers, investors, creditors, and other interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Tacoma, Finance Department, 747 Market Street, Room 132, Tacoma, WA 98402-2773.

Additional information can also be obtained from <https://www.mytpu.org/about-tpu/tacoma-water-investor.htm>

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water
Statements of Net Position (Unaudited)
September 30, 2020 and September 30, 2019

	September 30,	
	2020	2019
ASSETS		
UTILITY PLANT		
Water Plant in Service	\$1,150,437,695	\$1,127,660,502
Less Depreciation and Amortization	(300,365,458)	(277,133,291)
Total	850,072,237	850,527,211
Construction Work in Progress	27,073,204	19,697,110
Net Utility Plant	877,145,441	870,224,321
NON-UTILITY PROPERTY	492,963	492,963
RESTRICTED ASSETS		
Cash and Equity in Pooled Investments:		
2009 Construction Fund	-	28,824
2013 Construction Fund	3,680,352	13,874,078
Regional Water Supply System Operating Fund	745,884	1,458,163
Provision for Debt Payment	13,777,200	16,297,800
Customer Water Main Deposits	3,496,723	3,399,264
Water Supply Forum Fund	620,689	469,330
Special Bond Reserves	21,688,269	22,113,635
Water Customer Contribution Fund	2,325,879	839,724
Water Capital Reserves	36,958,709	37,528,933
Water System Development Charge	75,283,158	72,164,777
Total Restricted Assets	158,576,863	168,174,528
CURRENT ASSETS		
Cash and Equity in Pooled Investments:		
Current Fund	69,817,459	67,594,411
Customers' Deposits	275,811	309,788
Receivables:		
Customers	8,602,147	5,135,674
Accrued Unbilled Revenues	5,818,438	5,930,220
Others	837,885	1,037,903
BABs Interest Subsidies	3,014,362	1,379,341
Provision for Uncollectible Accounts	(1,020,194)	(352,759)
Materials and Supplies	2,910,036	2,532,240
Prepayments	1,833,675	1,781,403
Total Current Assets	92,089,619	85,348,221
TOTAL ASSETS	1,128,304,886	1,124,240,033
OTHER ASSETS		
Regulatory Assets - Surcharges	3,283,790	2,045,456
Net Pension Asset	-	3,438,481
Total Other Assets	3,283,790	5,483,937
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Losses on Refunding Bonds	848,505	1,035,750
Deferred Outflows for Pensions	12,149,265	4,409,587
Deferred Outflows for OPEB	471,177	295,709
Total Deferred Outflows	13,468,947	5,741,046
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$1,145,057,623	\$1,135,465,016

These statements should be read in conjunction with the Notes to the Financial Statements contained in the previous year-end Financial Report.

	September 30,	
	2020	2019
NET POSITION		
Net Investment in Capital Assets	\$455,287,605	\$442,841,187
Restricted for:		
Water Capital Reserves	32,807,328	32,898,546
Water System Development Charge	39,707,711	36,589,330
Debt Service Funds	7,068,127	9,221,550
Pension Asset	-	3,438,481
Unrestricted	<u>77,656,232</u>	<u>68,206,394</u>
TOTAL NET POSITION	612,527,003	593,195,488
LIABILITIES		
LONG-TERM DEBT		
Revenue Bonds Outstanding:		
2005 Water Revenue Bonds Refunding	5,000	5,000
2009 Water Revenue Bonds	76,775,000	76,775,000
2010 Water Revenue Bonds Refunding	-	17,790,000
2010 Water Revenue Bonds	74,985,000	74,985,000
2013 Water Revenue Bonds Refunding	74,355,000	74,355,000
2015 Water Refunding Bonds, Series A	9,230,000	10,820,000
2010 RWSS Revenue Bonds, Series A	1,345,000	1,655,000
2010 RWSS Revenue Bonds, Series B	44,245,000	44,245,000
2013 RWSS Refunding Bonds	55,920,000	57,710,000
2020 Water Revenue Bonds Refunding	<u>13,157,516</u>	-
Total Outstanding Revenue Bonds	350,017,516	358,340,000
Plus: Unamortized Bond Premium	<u>8,139,260</u>	<u>9,465,601</u>
Net Outstanding Revenue Bonds	358,156,776	367,805,601
PWTF Pre-Construction Loans	160,088	320,261
PWTF Construction Loans	11,760,836	14,297,433
State Drinking Water Loans	<u>57,150,308</u>	<u>61,381,554</u>
Total Long-Term Debt	427,228,008	443,804,849
CURRENT LIABILITIES		
Salaries and Wages Payable	1,219,253	979,064
Purchases and Contracts Payable	1,617,715	1,696,582
Interest Expense Accrued	6,709,073	7,076,251
Taxes Accrued	2,064,308	1,868,314
Customers' and Contractors' Deposits	325,413	364,214
Current Portion of Long-Term Debt	15,095,421	14,710,633
Other Current Liabilities	1,435,861	1,407,706
Current Accrued Compensated Absences	<u>237,357</u>	<u>244,160</u>
Total Current Liabilities	28,704,401	28,346,924
LONG-TERM LIABILITIES		
Muckleshoot Agreements	6,244,496	6,412,903
Customer Advances for Construction	8,785,722	7,651,073
Unearned Revenue	7,164,663	7,424,073
Other Long-Term Liabilities	1,141,462	1,169,661
Pension Liability	10,264,957	-
OPEB Liability	3,565,886	3,780,897
Long-Term Accrued Compensated Absences	<u>2,136,217</u>	<u>2,197,439</u>
Total Long-Term Liabilities	<u>39,303,403</u>	<u>28,636,046</u>
TOTAL LIABILITIES	<u>495,235,812</u>	<u>500,787,819</u>
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization	35,575,447	35,575,446
Deferred Inflows for Pensions	1,348,807	5,853,098
Deferred Inflows for OPEB	<u>370,554</u>	<u>53,165</u>
Total Deferred Inflows	37,294,808	41,481,709
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$1,145,057,623</u>	<u>\$1,135,465,016</u>

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water
Statements of Revenues, Expenses and Changes in Net Position (Unaudited)
September 30, 2020 and September 30, 2019

	September 2020	September 2019
OPERATING REVENUES		
Sales of Water	\$9,759,408	\$7,858,707
Other Operating Revenues	561,815	641,624
Contract Resource Obligation Revenue	414,494	393,013
Total Operating Revenues	10,735,717	8,893,344
OPERATING EXPENSES		
Production Expense:		
Source of Supply	378,523	565,337
Water Treatment	704,740	553,794
Total Production Expense	1,083,263	1,119,131
Power Pumping Expense	41,207	70,623
Transmission and Storage Expense	155,626	162,243
Distribution Expense	1,290,289	1,160,891
Customer Accounting and Consumer Service	445,417	413,511
Taxes	644,975	554,969
Depreciation	2,147,722	2,112,482
Administrative and General	1,051,057	611,999
Total Operating Expenses	6,859,556	6,205,849
OPERATING INCOME (LOSS)	3,876,161	2,687,495
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	260,438	411,281
Miscellaneous	195,678	625,161
Interest on Long-Term Debt	(1,289,443)	(1,298,555)
Interest on Long-Term Debt BABs Sub	(247,703)	(320,064)
Amortization Of Debt Premium	92,464	102,307
Interest Charged to Construction	-	-
Total Non-Operating Revenues (Expenses)	(988,566)	(479,870)
Net Income (Loss) Before Capital Contributions and Transfers	2,887,595	2,207,625
Capital Contributions:		
Cash	825,934	954,739
Donated Fixed Assets	31,754	-
Federal BABs Subsidies	301,820	320,064
Transfers:		
City Gross Earnings Tax	(807,625)	(688,378)
CHANGE IN NET POSITION	\$3,239,478	\$2,794,050
NET POSITION - JANUARY 1		
TOTAL NET POSITION - SEPTEMBER 30		

These statements should be read in conjunction with the Notes to the Financial Statements contained in the previous year-end Financial Report.

YEAR TO DATE		2020 OVER	PERCENT
September 30, 2020	September 30, 2019	(UNDER) 2019	CHANGE
\$69,504,994	\$66,749,562	\$2,755,432	4.1%
5,307,393	5,587,033	(279,640)	-5.0%
3,588,261	3,644,240	(55,979)	-1.5%
<u>78,400,648</u>	<u>75,980,835</u>	<u>2,419,813</u>	<u>3.2%</u>
3,301,916	5,137,601	(1,835,685)	-35.7%
6,727,565	5,278,664	1,448,901	27.4%
<u>10,029,481</u>	<u>10,416,265</u>	<u>(386,784)</u>	<u>-3.7%</u>
511,268	574,025	(62,757)	-10.9%
1,319,081	1,664,561	(345,480)	-20.8%
11,940,144	10,857,135	1,083,009	10.0%
4,015,159	3,830,191	184,968	4.8%
4,071,729	3,853,206	218,523	5.7%
19,297,328	18,951,668	345,660	1.8%
9,417,640	8,963,492	454,148	5.1%
<u>60,601,830</u>	<u>59,110,543</u>	<u>1,491,287</u>	<u>2.5%</u>
17,798,818	16,870,292	928,526	5.5%
1,557,310	4,814,113	(3,256,803)	-67.7%
501,793	687,059	(185,266)	-27.0%
(11,869,191)	(11,738,339)	(130,852)	-1.1%
(2,229,329)	(2,821,042)	591,713	21.0%
832,174	920,761	(88,587)	-9.6%
-	(32,311)	32,311	100.0%
<u>(11,207,243)</u>	<u>(8,169,759)</u>	<u>(3,037,484)</u>	<u>-37.2%</u>
6,591,575	8,700,533	(2,108,958)	-24.2%
5,157,816	5,289,192	(131,376)	-2.5%
1,169,848	601,158	568,690	94.6%
2,713,182	2,880,576	(167,394)	-5.8%
<u>(5,921,980)</u>	<u>(6,014,328)</u>	<u>92,348</u>	<u>1.5%</u>
9,710,441	11,457,131	(1,746,690)	-15.2%
602,816,562	581,738,357	21,078,205	
<u>\$612,527,003</u>	<u>\$593,195,488</u>	<u>\$19,331,515</u>	<u>3.3%</u>

City of Tacoma, Washington
 Department of Public Utilities
 Tacoma Water
 Summary of Revenues and Billings (Unaudited)
 September 30, 2020 and September 30, 2019

	<u>September 2020</u>	<u>September 2019</u>
SALES OF WATER		
Residential and Domestic	\$6,412,741	\$4,979,240
Commercial and Industrial	2,375,902	1,954,281
Special Rate	630,769	602,696
Wholesale	<u>339,996</u>	<u>322,490</u>
Total	<u><u>\$9,759,408</u></u>	<u><u>\$7,858,707</u></u>
 BILLINGS (NUMBER OF MONTHS BILLED)		
Residential and Domestic	88,010	74,240
Commercial and Industrial	6,482	5,949
Wholesale	<u>29</u>	<u>17</u>
Total	<u><u>94,521</u></u>	<u><u>80,206</u></u>

YEAR TO DATE		2020 OVER (UNDER) 2019	PERCENT CHANGE
September 30, 2020	September 30, 2019		
\$48,214,334	\$44,576,730	\$3,637,604	8.2%
14,277,760	14,966,672	(688,912)	-4.6%
5,260,334	5,115,535	144,799	2.8%
<u>1,752,566</u>	<u>2,090,625</u>	<u>(338,059)</u>	-16.2%
<u><u>\$69,504,994</u></u>	<u><u>\$66,749,562</u></u>	<u><u>\$2,755,432</u></u>	4.1%
888,090	849,928	38,162	4.5%
60,115	58,888	1,227	2.1%
<u>193</u>	<u>144</u>	<u>49</u>	34.0%
<u><u>948,398</u></u>	<u><u>908,960</u></u>	<u><u>39,438</u></u>	4.3%

City of Tacoma, Washington
 Department of Public Utilities
 Tacoma Water
 Summary of Water Billed (Unaudited)
 September 30, 2020 and September 30, 2019

	MILLION GALLONS, TOTAL			
	September 2020	September 2019	YEAR TO DATE	
			September 30, 2020	September 30, 2019
WATER BILLED				
Residential and Domestic	1,005.34	793.25	6,475.37	6,254.04
Commercial and Industrial	465.46	375.55	2,202.37	2,556.46
Special Rate	506.80	504.16	4,322.90	4,299.96
Wholesale	103.78	87.32	546.67	653.10
	2,081.38	1,760.28	13,547.31	13,763.56

NOTE: For conversion purposes, there are approximately 748 gallons in every 100 cubic feet of water.

MILLION GALLONS, AVERAGE DAILY

<u>September 2020</u>	<u>September 2019</u>
33.51	26.44
15.52	12.52
16.89	16.81
<u>3.46</u>	<u>2.91</u>
<u>69.38</u>	<u>58.68</u>

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water
Statements of Cash Flows (Unaudited)
September 30, 2020 and September 30, 2019

	YEAR ENDED SEPTEMBER 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from Customers	\$75,713,490	\$76,451,544
Cash Paid to Suppliers	(15,776,634)	(16,991,650)
Cash Paid to Employees	(20,410,655)	(19,738,552)
Taxes Paid	(3,682,452)	(3,803,955)
NET CASH FROM OPERATING ACTIVITIES	35,843,749	35,917,387
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer Out for Gross Earnings Tax	(5,921,980)	(6,014,328)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(5,921,980)	(6,014,328)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital Expenditures, Net	(20,613,240)	(17,598,709)
Proceeds from Sale of Bonds	17,466,514	-
Debt Issuance Costs	(102,475)	-
Principal Payments on Long-Term Debt	(2,696,771)	(2,696,771)
Principal Payments on Muckleshoot LT Liability	(172,616)	(176,932)
Principal Payments on Long-Term Debt	(17,790,000)	-
Interest Paid	(9,155,664)	(9,317,835)
BABs Federal Interest Subsidies	-	1,801,458
Contributions in Aid of Construction (Cash)	5,157,816	5,289,192
System Development Charges & Other LT Liabilities	1,174,665	1,105,469
NET CASH FROM CAPITAL FINANCING ACTIVITIES	(26,731,771)	(21,594,128)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	1,557,310	4,814,113
Other Net Non-Op Revenues and Expenses	604,268	687,059
NET CASH FROM INVESTING ACTIVITIES	2,161,578	5,501,172
NET CHANGE IN CASH AND EQUITY IN POOLED INVESTMENTS	5,351,576	13,810,103
CASH AND EQUITY IN POOLED INVESTMENTS AT JANUARY 1	223,318,557	222,268,624
CASH AND EQUITY IN POOLED INVESTMENTS AT SEPTEMBER 30	\$228,670,133	\$236,078,727

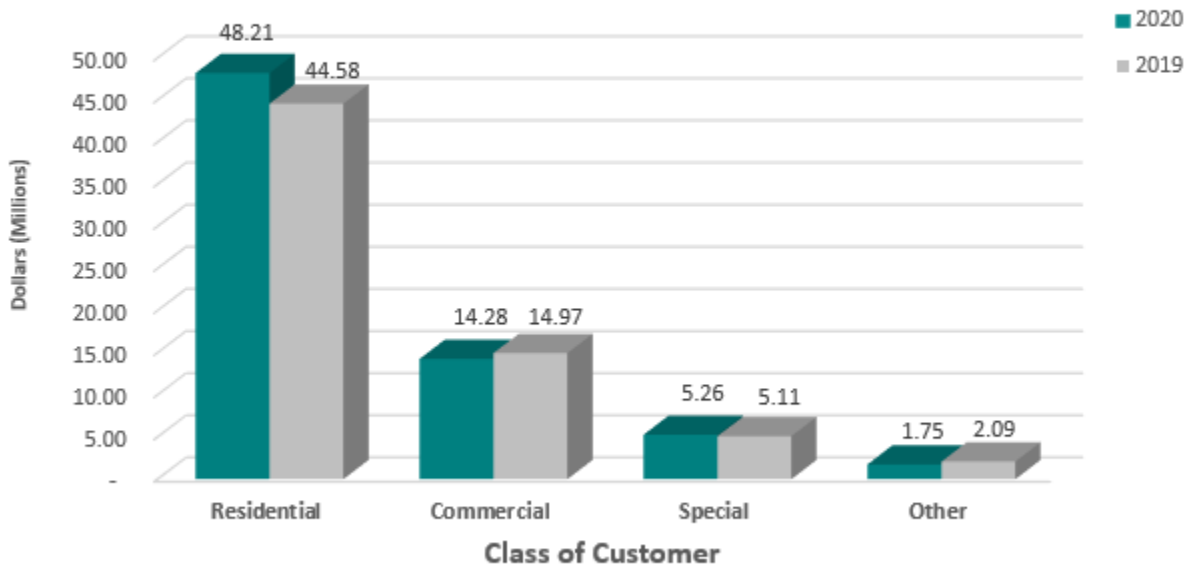
The accompanying notes are an integral part of these financial statements

	YEAR ENDED SEPTEMBER 30,	
	2020	2019
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Net Operating Income	\$17,798,818	\$16,870,292
Adjustments to Reconcile Net Operating Income to Net Cash From Operating Activities:		
Depreciation	19,297,328	18,951,668
Cash from Changes in Operating Assets and Liabilities:		
Accounts Receivable and Unbilled Revenue	(2,871,089)	(143,203)
Interfund Receivables	-	756,845
Regulatory Asset-Surcharges	(1,225,238)	(814,640)
Materials and Supplies	(129,107)	(62,735)
Prepayments	343,870	280,469
Unearned Revenues	1,435,857	1,407,706
Accrued Taxes	389,277	49,250
Salaries, Wages and Fringe Benefits Payable	546,750	422,993
Customers' Deposits	(26,688)	20,847
Accrued Expenses and Contracts Payable	283,971	(256,364)
Interfund Payables	-	(1,565,741)
Total Adjustments	18,044,931	19,047,095
NET CASH FROM OPERATING ACTIVITIES	\$35,843,749	\$35,917,387
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$158,576,863	\$168,174,528
Cash and Equity in Pooled Investments in Operating Funds	\$70,093,270	\$67,904,199
Cash and Equity in Pooled Investments at September 30	\$228,670,133	\$236,078,727
NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Donated Assets	\$1,169,848	\$601,158

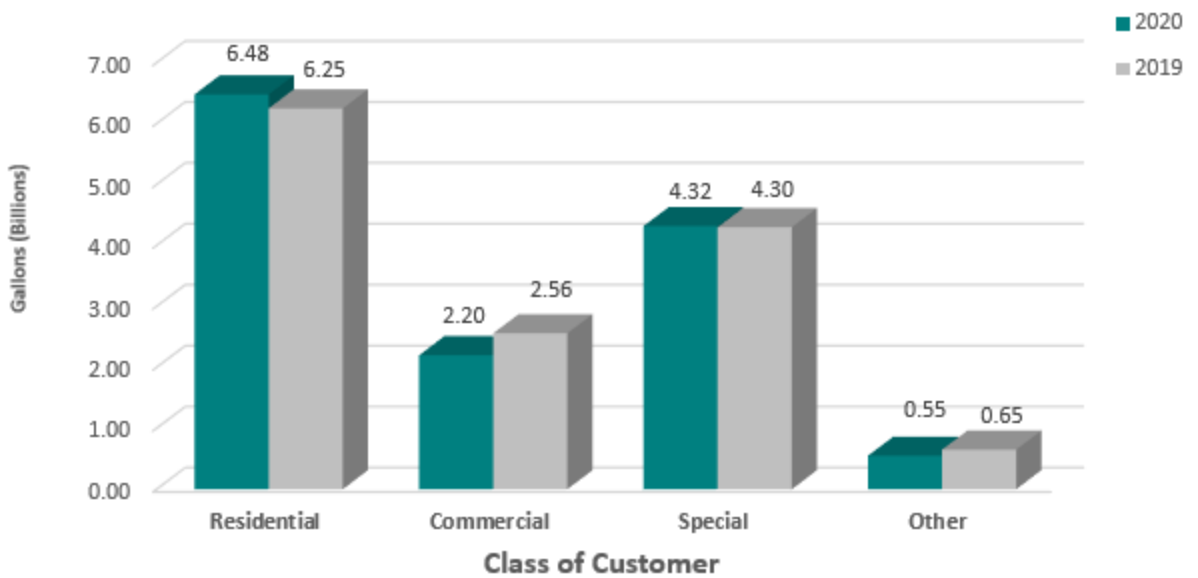
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Supplemental Data

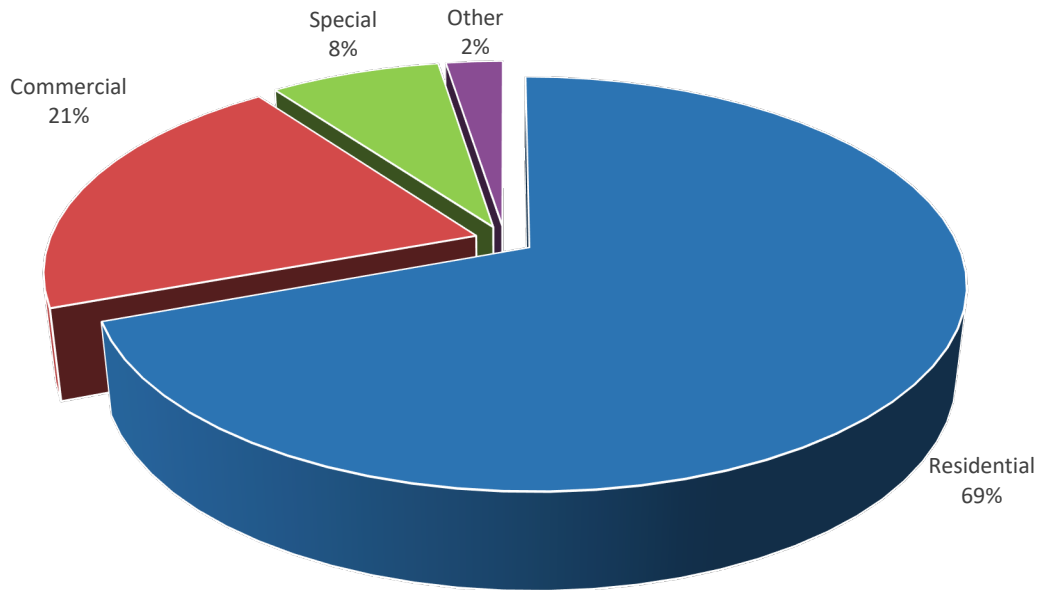
WATER SALES Year to Date - September 2020 & 2019



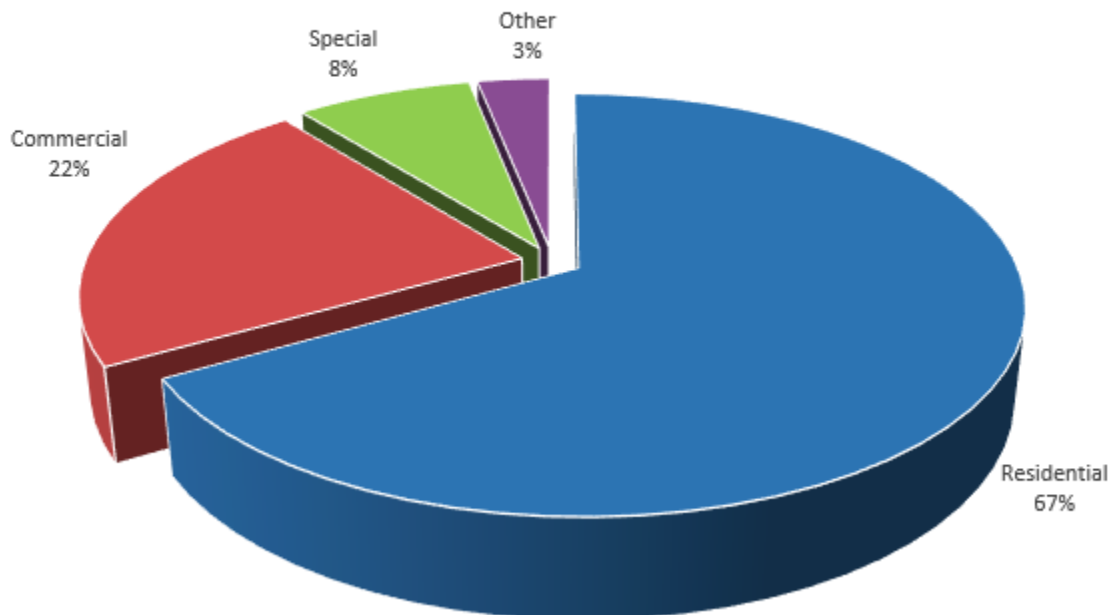
WATER CONSUMPTION Year to Date - September 2020 & 2019



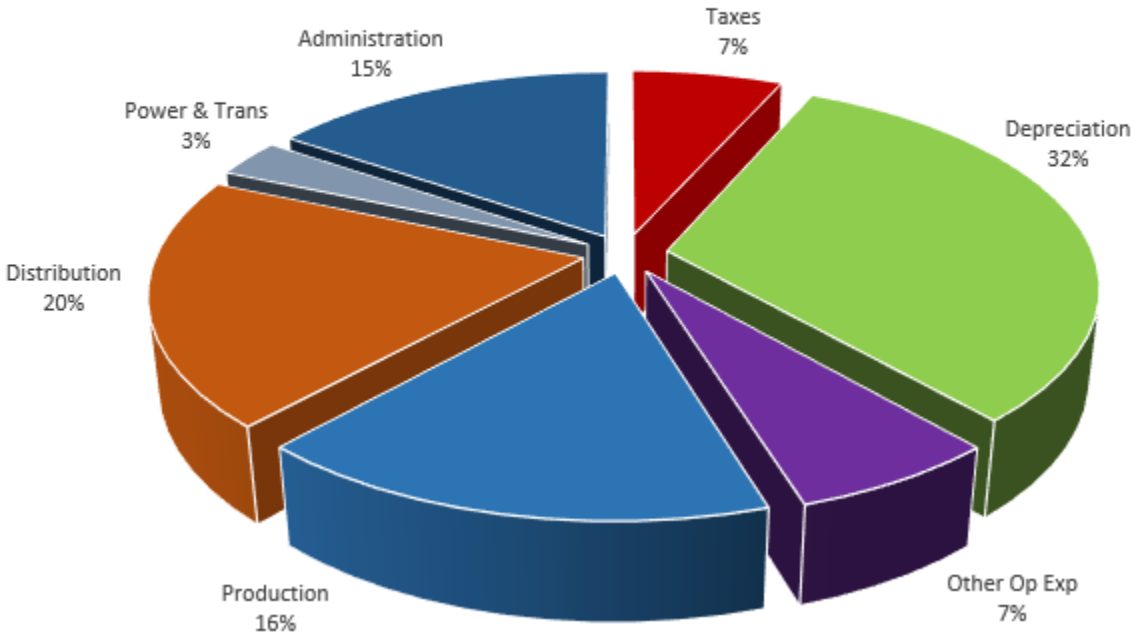
WATER SALES
Year to Date - September 2020
(\$69,504,994)



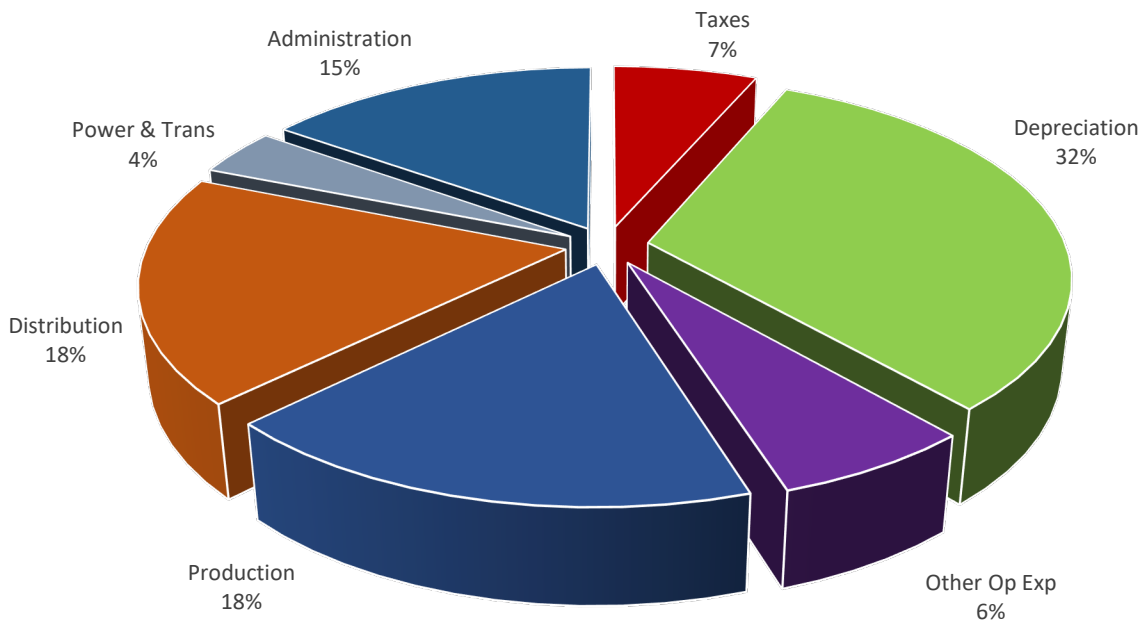
WATER SALES
Year to Date - September 2019
(\$66,749,562)



TOTAL OPERATING EXPENSES
Year to Date - September 2020
(\$60,601,830)



TOTAL OPERATING EXPENSES
Year to Date - September 2019
(\$59,110,543)



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The City of Tacoma does not discriminate on the basis of disability in any of its programs, activities, or services. To request this information in an alternative format or to request a reasonable accommodation, please contact the City Clerk's Office at (253) 591-5505. TTY or speech to speech users please dial 711 to connect to Washington Relay Services.